

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

December 8, 2006

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.: 02OD-579

Oahu

Amend Prior Board Action of April 22, 2005, under Item D-11, as amended; After-the-Fact Consent to Sublease portions of General Lease No. S-4825, Waikiki Community Center, as Sublessor, to Waikiki Health Center, Waikiki Beach Chaplaincy, Inc., International Church of the Foursquare Gospel, Hawaii Services on Deafness, United Self Help, and Boys and Girls Club of Hawaii, Hawaii non-profit corporations, as Sublessees; Cancellation of General Lease S-4825; and Issuance of a Thirty-year Direct Lease to Waikiki Community Center for Community Center Purposes, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-6-025:008.

BACKGROUND:

At its meeting on April 22, 2005, under agenda item D-11, the Board authorized the after-the-fact consent to subleases executed by the Waikiki Community Center (WCC) with several Hawaii non-profit corporations, including the Waikiki Health Center, Waikiki Beach Chaplaincy, Inc., International Church of the Foursquare Gospel, Hawaii Services on Deafness, United Self Help, and Boys and Girls Club of Hawaii. The Board also approved a mutual cancellation of General Lease No. S-4825 (GL4825) and issuance of a new thirty-year direct lease to the Lessee with a nominal rent of \$156 a year, as amended. A new lease for WCC is necessary because GL4825 expires on March 31, 2007, and a thirty-year lease term is required to secure capital improvements funds (see Exhibit "A").

A copy of the new lease, General Lease No. S-5801, hereinafter "GL5801", was sent to WCC, and by letter, dated November 1, 2005, WCC responded with 16 concerns (refer to Exhibit "B"). Staff requested the Attorney General's office to review the 16 concerns. Essentially, the Deputy Attorney General recommended denial of everything except 2 items, which concerns the rent and performance bond, by stating: 1) It appears the Board authorized a flat amount of \$156 annually for the full term of the lease, and 2) Land Division has the authority to accept cash deposit in lieu of a performance bond.

Subsequently, by letter dated June 22, 2006, Mr. Jim Nishimoto, Chairman of the Board of Directors for WCC, is requesting the Land Board's consideration and approval on three (3) items (refer to Exhibit "C").

ANALYSIS:

Only Items 1 and 3 in Mr. Nishimoto's letter will be included in this discussion, because Item 2 is currently allowed in the new lease – the Department can accept cash in lieu of a bond.

1. (Item #1) WCC is requesting the rent re-openings be deleted. Staff reviewed the submittal and minutes of the prior Land Board approval on April 22, 2005, under Item D-11, as amended, and believes the \$156 annual rent is for the first ten year period because the Land Board did not delete the rent re-opening conditions set forth on page 2.

Rent re-opening is a standard provision found in Land Division lease documents (non-profit and for profit). Unlike public auction leases (for profit), non-profits obtain their lease directly from the Land Board. Non-profits, which at the time of the rent reopening, do not agree with the new rent, can request the Land Board for a reconsideration of the rent, bypassing the need for the arbitration process. In past instances, the Land Board has agreed with staff's recommendation to establish the new rent at (a) continuation of previous rent; or (b) minimum or nominal rent.

Additionally, following the Land Board's approval on a nominal rent of \$156 a year for WCC, on April 22, 2005, the Land Board established a Minimum Rent Policy, on May 13, 2005, that stated, among other things, that the Minimum Rent for Lease be no less than \$480 per year. Land Division generally issues Leases at fair market rental value as determined by an appraiser or via public auction. Staff believes "nominal rent" under Section 171-43.1, Hawaii Revised Statutes ought to be anywhere between fair market rent, or lower, but not lower than the minimum rent of \$480 per year. Staff believes the Minimum Rent Policy will, over time, be amended (updated) to account for increases in administrative expenses.

Therefore, with respect to the minimum rent policy, staff is recommending that the rent re-opening provision in GL5801, identified as Condition B on page 1 (attached as Exhibit "D"), be revised to:

- B. The annual rental reserved shall be reopened and re-determined on the tenth (10th) and twentieth (20th) years, based on the Land Board's then prevailing Minimum Rent Policy.

If this is acceptable, staff is also recommending that Condition C on page 2 of GL5801 be deleted in its entirety because the arbitration process will no longer be necessary.

2. (Item #3) WCC is concerned about unauthorized activities occurring on the premises from time to time, and has submitted to staff a report of recent incidences, including theft, vandalism, frequent encounters with the homeless, and harassment of community center staff members by recovering addicts and other mentally disturbed individuals (Exhibit "C"). WCC has considered hiring security personnel to guard the premises during off-hours, but estimated the cost to run between \$80,000 to \$100,000 annually, which would be paid for by its non-profit tenants, including their child-care and senior citizen programs via fee and tuition increases. WCC would instead prefer to house a resident caretaker and/or family on the premises, as allowed under its current lease.

The Deputy Attorney General does not recommend a resident caretaker provision, due to concerns the State may not be exempt from having to comply with the requirements of the Residential Landlord-Tenant Code. Accordingly, staff notes that in §521-7, Hawaii Revised Statutes, the provisions of the Residential Landlord-Tenant Code excludes:

"(6)... an employee of the owner or landlord whose right to occupancy is conditional upon such employment or by a pensioner of the owner or landlord or occupancy for a period of up to four years subsequent thereto, pursuant to a plan for the transfer of the dwelling unit or the property of which it is a part to the occupant;

The Deputy Attorney General explained that WCC's resident caretaker would not qualify as a State employee, and therefore, the exemption is not applicable to the State. However, the AG's suggested that staff could ask the Land Board to consider this request, and if approved, the exact wording for the provision be submitted to the AG's for review and approval.

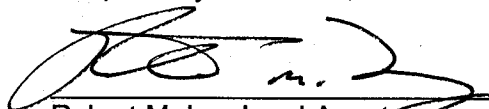
Staffs review of the lease files indicate there have not been any problems or abuses relating to WCC's prior use of a resident caretaker. Staff feels security is a growing concern for everyone, everywhere. Our concern (or objection) is that by allowing a "family" to live on the premises to provide 'security' will not thwart or fend off unacceptable behavior – loitering, theft, violence, etc. In order to protect the premises, that type of enforcement capability should be handled by trained personnel, and not by family members (i.e. children, uncle, mommies, etc.) This exposes the State to tremendous liability should some unfortunate incident occur on the premises involving family members. Our recommendation is that if the Land Board approves a resident caretaker provision in the lease, then it should require a trained or experienced resident manager, and not include "family". Staff defers to the Attorney General's office in providing wording satisfactory to protect the State.

RECOMMENDATION:

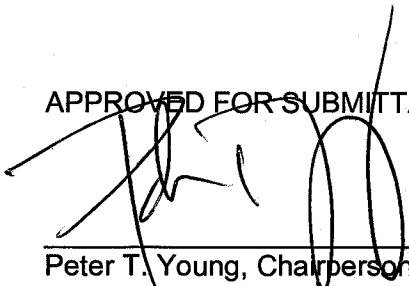
That the Board:

1. Amend its prior action of April 22, 2005, agenda Item D-11, by
 - A. Revising Condition B in WCC's new lease to say: The annual rental reserved shall be reopened and re-determined on the tenth (10th) and twentieth (20th) years, based on the Land Board's then prevailing Minimum Rent Policy.
 - B. Deleting Condition C in the new lease.
 - C. Adding a provision in the new lease for a WCC employee to live on the premises for security purposes only. WCC has to submit plans for the Chairperson's approval.
2. All terms and conditions listed in its approval on April 22, 2005, under item D-11, to remain the same.

Respectfully Submitted,


Robert M. Ing, Land Agent

APPROVED FOR SUBMITTAL:


Peter T. Young, Chairperson

December 8, 2006

Exhibit A

AMENDED

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

April 22, 2005

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.: 020D-579

Oahu

After-the-Fact Consent to Sublease portions of General Lease No. S-4825; Waikiki Community Center, as Sublessor, to Waikiki Health Center, Waikiki Beach Chaplaincy, Inc., International Church of the Foursquare Gospel, Hawaii Services on Deafness, United Self Help, and Boys and Girls Club of Hawaii, Hawaii non-profit corporations, as Sublessees, Cancellation of General Lease S-4825, and Issuance of a 30-year Direct Lease to Waikiki Community Center for Community Center Purposes, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-6-025:008.

APPLICANT:

Waikiki Community Center, a domestic nonprofit corporation, whose business and mailing address is 310 Paoakalani Avenue. Honolulu, Hawaii 96815.

LEGAL REFERENCES:

Section 171-36(a)(6), Hawaii Revised Statutes, as amended; and
Section 171-43.1, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-6-025:008, as shown on the attached map labeled Exhibit A.

AREA:

67,950 Square Feet, more or less.

ZONING:

State Land Use District: Urban
County of Honolulu CZO: Apartment Precinct

TRUST LAND STATUS:

Acquired after 8/59.

As Amended
APPROVED BY THE BOARD OF
LAND AND NATURAL RESOURCES
AT ITS MEETING HELD ON *MO*

April 22, 2005

EXHIBIT "A"

ITEM D-11

DHHL 30% entitlement lands pursuant to the Hawaii State
Constitution: YES _____ NO X

CURRENT USE STATUS:

Encumbered by GL S-4825 to the Waikiki Community Center,
commencing April 1, 1982 and expiring on March 31, 2007.

CURRENT CHARACTER OF USE:

For youth, education and multi-service community center to house
human services and community activities.

NEW LEASE:

CHARACTER OF USE:

For youth, education and multi-service community center to house
human services and community activities.

LEASE TERM:

Thirty (30) years

COMMENCEMENT DATE:

To be determined by the Chairperson.

ANNUAL RENT:

Fair market rent to be determined by independent or staff
appraiser, subject to review and approval by the Chairperson.

METHOD OF PAYMENT:

Semi-annual payments, in advance.

RENTAL REOPENINGS:

At the 10th and 20th years of the lease term, by staff or
independent appraisal.

PERFORMANCE BOND:

Twice the annual rental amount.

SUBLEASE:

SUBLEASE CHARACTER OF USE:

Community Service Purposes.

TERM AND ANNUAL RENT OF SUBLEASES:

Please Refer to Table 1 of Exhibit B.

RECOMMENDED ADJUSTMENT TO LEASE RENTAL:

Not Applicable.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with the "Division of Land Management's Environmental Impact Statement Exemption List", approved by the Environmental Council and dated April 28, 1986, the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1 that states "Operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing."

DCCA VERIFICATIONS:

SUBLESSOR:

Place of business registration confirmed:	YES	<u>X</u>	NO	<u> </u>
Registered business name confirmed:	YES	<u>X</u>	NO	<u> </u>
Good standing confirmed:	YES	<u>X</u>	NO	<u> </u>

SUBLESSEES:

Place of business registrations confirmed:	YES	<u>X</u>	NO	<u> </u>
Registered business names confirmed:	YES	<u>X</u>	NO	<u> </u>
Sublessees in good standing confirmed:	YES	<u>X</u>	NO	<u> </u>

APPLICANT REQUIREMENT:

Applicant shall be required to pay for an appraisal to determine the initial rent.

REMARKS:

By Agreement of Sale, dated October 29, 1981, the State acquired the subject property formerly known as the former St. Augustine School Property, together with the improvements, for \$5.2 million. The State acquired the site to establish a community center in Waikiki.

At its meeting of February 26, 1982, under Item F-12, as amended, the Land Board approved the issuance of General Lease S-4825 to the Waikiki Community Center, commencing April 1, 1982 and expiring March 31, 1992 for youth educational activities and multi-service community center purposes to house various agencies providing comprehensive human services and to provide space for

community activities and meetings.

On April 23, 1982, under Item F-7, the Land Board consented to a sublease with the Waikiki Health Center (WHC) to expire with the original Master Lease term, on March 31, 1992. The Land Board also consented to other subleases with groups affiliated with the Department of Health (DOH).

At its meeting of July 11, 1986, under Item F-14, the Land Board approved the extension of GL S-4825 to March 31, 2007 because the Applicant was successful in utilizing the property and needed to secure capital improvement funds.

On March 31, 1992, the Applicant's sublease with WHC expired during negotiations for another until one was eventually executed on March 14, 1994. Said sublease was retroactive to April 1, 1992 and expired on March 31, 1997. The Applicant neglected to obtain the Land Board's consent for this 2nd sublease. Following its expiration on March 31, 1997, WHC remained on the premises as provided in Section 7.4 of their sublease, which allowed a month-to-month tenancy if an extension or renewal of their sublease was not executed while they continued operating on the premises.

Following the expiration of the Applicant's 2nd sublease with WHC in 1997, disagreements between the two parties regarding property maintenance issues, space allocation, rent and other matters, delayed the execution of their 3rd sublease until October 9, 2002, while they occupied the premises again on a month-to-month basis. This 3rd sublease is scheduled to expire with the master lease, on March 31, 2007. This sublease also did not receive the Land Board's consent.

The Land Board did, however, consent to other sublease renewals executed with the DOH affiliates mentioned previously. These subleases have expired by December 31, 1997, and the tenants have since vacated the premises.

Since July 1, 2000, the Applicant has subleased to five (5) other non-profit groups besides WHC and has not obtained the Land Board's consent. The Applicant is now seeking to resolve these matters and is requesting the Land Board to consent to the following past and present subleases:

<u>Non-Profit Groups</u>	<u>Sublease Dates</u>
1.) Waikiki Health Center	4/1/92-3/31/97 & 10/9/02-3/31/07
2.) Hawaii Services on Deafness	7/1/00-6/30/03 & (No longer Present)

- 3.) United Self Help 7/1/00-6/30/03 & 7/1/03-6/30/06
- 4.) Waikiki Beach 7/1/00-6/30/03 & 7/1/03-6/30/06
 Chaplaincy, Inc.
- 5.) International Church 7/1/00-6/30/03 & 7/1/03-6/30/06
 of the Foursquare
 Gospel
- 6.) Boys and Girls Club 1/1/04-12/31/04
 of Hawaii

Because the improvements on the property are owned by the State, the subleases are subject to the application of its sandwich rent policy. The staff appraiser did a single cumulative sandwich rent analysis based on the 2nd and 3rd subleases with WHC, and the current subleases with the four other tenants occupying the premises. The other subleases executed prior to July 1, 2003 were not included in the analysis because staff felt it was more practical to deal with the present lease data and go forward because of the lapse in time, the Applicant's difficulty in gathering past sublease information and appropriating expenses to each tenant who shares space, utilities and other expenses on the property. The current sandwich rent policy also does not address this situation in which a lease was issued to a non-profit to sublease to other community non-profit groups. Because the purpose of GL S-4825 includes "to house various agencies", staff felt it was fair and reasonable to use a cumulative approach to calculate a sandwich rent figure.

Staff's sandwich rent analysis indicates the Applicant has not generated a net profit from their subleases and does not owe the State any sandwich rent. (See Exhibit B)

Based on the State's acquisition of the subject property for use as a community center, staff feels issuing a new lease to the Applicant will continue to fulfill its highest and best use for the State.

Through the years, the Applicant has maintained a significant presence in Waikiki by housing faith-based counseling groups, a low cost health care facility, the Waikiki Community Association, Alcohols Anonymous, the Rotary Club, senior's clubs and others for meetings and other functions. They also run a children's day care center that serves area residents. The center's involvement with the community and the need for its services will enable it to continue well into the future.

During the past year, staff received numerous letters from politicians and other prominent members of the community endorsing the Applicant's request for a new lease. (Some of which

are included as Exhibit C). Others who wrote include the Waikiki Residents Association, Waikiki Neighborhood Board No. 9, Hawaii Primary Care Association, Waikiki Beach Chaplaincy, Boys and Girls Club of Hawaii, Hope Chapel South Shore, Waikiki Health Center, Waikiki Improvement Association, and several long time area residents.

The Applicant has also received pledges from charitable trusts to fund needed capital improvements to the buildings that are estimated to be over 50 years old. The renovations include utility upgrades, modifications for ADA compliance and meeting current fire and safety codes, structural repairs from termite damage, etc. To obtain these funds, the Applicant needs a lease to occupy the premises for at least thirty (30) more years. Since there is no provision to extend GL S-4825, the Applicant has mutually agreed to terminate it to acquire a new lease under Chapter 171-43.1, HRS.

Staff inquired with the Department of Health and the Department of Human Services about integrating the Waikiki Community Center with one of its programs and requesting a set aside of the subject property. This would provide an added benefit to the agency and efficient management of the subject property. However, both agencies were unable to accept the offer at this time.

The State's current non-profit lease document does not have a provision for subletting. In order to maintain the Applicant's current use of the property, the lease document needs to be amended to allow the Applicant to sublease.

The Applicant and its tenants are all currently in good standing and are registered with the State as non-profit organizations.

The Applicant was in default within the last two years for not renewing the required performance bond, but resolved the matter within the cure period. In addition, they have not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

No agency or community groups were solicited for comments because no change from its current use is being requested.

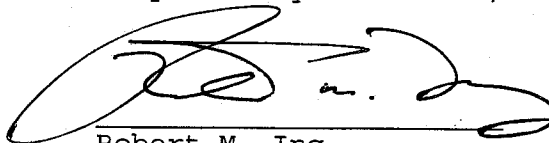
RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.

April 22, 2005

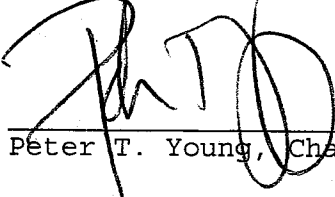
2. Consent to the past and present subleases referred in the 'Remarks' section above;
3. Authorize the mutual termination of GL S-4825.
4. Find that the public interest demands the issuance of a new direct lease to the Waikiki Community Center for Youth, Education and Multi-Service Community Center to House Human Services and Community Activities Purposes; and
5. Subject to the Applicant fulfilling all of the Applicant Requirements listed above, authorize the issuance of a direct lease to the Waikiki Community Center, covering the subject area under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - A. The standard terms and conditions of the most current (non-profit) lease document form, amended to allow the Applicant to sublease the premises with the prior written consent of the Land Board;
 - B. Review and approval by the Department of the Attorney General; and
 - C. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Robert M. Ing,
Land Agent

APPROVED FOR SUBMITTAL:



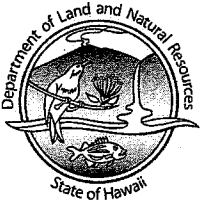
Peter T. Young, Chairperson

Approved as amended. The Board amended the submittal by changing the annual rent for the new lease to \$156 per year.

EXHIBIT A

REVISED

LINDA LINGLE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

July 27, 2006

PETER T. YOUNG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
DEPUTY DIRECTOR

DEAN NAKANO
ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

MEMORANDUM

TO: Peter T. Young, Chairperson
THROUGH: Russell Y. Tsuji, Land Division Administrator
FROM: Cyrus C. Chen, Real Estate Appraisal Manager *Cyrus Chen*
SUBJECT: Waikiki Community Center Sublease Sandwich Calculation

PSF No.: 02OD-579
Applicant: Waikiki Community Center
Location: Waikiki, Honolulu, Oahu, Hawaii
Building Area: 5,561 square feet
Tax Map Key: (1) 2-6-25: por. 8
Char. of Use: Community center purposes

The Waikiki Community Center (WCC), a Hawaii nonprofit corporation, has been leasing the land and building, owned by the State of Hawaii, since 1981. The State acquired the subject including improvements, via Agreement of Sale dated October 29, 1981 for \$5.2 million. The subject property was formerly known as the St. Augustine School property. The State acquired the subject to establish a community center in Waikiki. The applicant (WCC) has been subleasing a portion of their building to the Waikiki Health Center (WHC) via sublease dated October 9, 2002. There are also four smaller subtenants renting spaces of various sizes. These smaller subtenants have subleases, which all commenced between July 1, 2003 and July 1, 2004. The current rent is \$156 per annum.

The WCC and its sublease tenants is a prominent provider in Waikiki of services to the needy and under privileged. Much of these services, as provided by their subtenants, include medical services, programs for at-risk youth, self-help services, and counseling programs. The WCC also provides facilities for a chaplaincy, church services, and community meetings. Most of these services or facilities are provided at nominal fees.

Nonprofit corporations which are leasing land and improvements owned by the State are required to share in sublease rents with the State according to the sublease rent participation policy approved by the Board on May 26, 2000, Item D-24, and amended January 26, 2001, Item D-8. According to the policy, if the Lessee is paying any amount less than fair market value and if the Lessee subleases improvements owned by the State, the Board shall revise the rent to include as additional rent, 100% of that portion of the sublease rent in excess of the

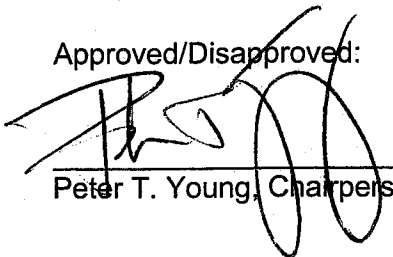
EXHIBIT "B" of "A"

original ground rent paid to the State. The formula approved by the Board reflects the intent of the Board regarding the calculation of sublease sandwich profit and shall serve as a guideline in Staff's calculation. Specifically, the formula allows the deduction of management and vacancy loss, repair and maintenance, real property tax, insurance, ground rent and GET before the additional annual rent is assessed. The deductions taken in this analysis reflect those considered allowable in following the Sublease Policy formula. Furthermore, the Board authorizes staff to use their discretion in representing the State's interest in applying the formula to address the varying sublease arrangements that may not fit neatly into the formula. This discretion involves analyzing the data in order to ensure the proper expense items are deducted and accounted for while calculating any additional rents due.

An analysis was performed, dated December 21, 2004, applying the Sublease Policy. In that analysis, Staff recommended that no sublease rents were due the State due to the resulting negative net rental income after deducting appropriate expenditure items. This analysis was revisited to emphasize the fact the State owns the land and improvements and thus the State has the authority to invoke the Sublease Policy to participate in applicable sublease rents. The analysis also has indicated no profits are realized from the subleases and in fact, WCC is operating on a deficit.

Due to the public benefit the WCC provides, Staff recommends no sublease rents are due from the sublease tenants and to continue below market rent to the Lessee to ensure the viability of the tenant and to continue providing community service for which this property was originally acquired. Current Board approved minimum rent is \$480 per annum.

Approved/Disapproved:



Peter T. Young, Chairperson

AUG 28 2006

Date

cc: District Branch Files
Central Files

TABLE 1
WAIKIKI COMMUNITY CENTER
PROJECTION OF WAIKIKI HEALTH CENTER SUBLEASE AND OTHER TENANTS
For period of October 2002 to March 2007
310 Paoakalani Avenue
Waikiki, Honolulu, Hawaii
TAX MAP KEY: (1) 2-6-25: por. 8

Subtenants	Area	Monthly Rent				
		10/02 to 6/03	7/03 to 6/04	7/04 to 6/05	7/05 to 6/06	7/06 to 3/07
Waikiki Health Center	5,561	2,675	2,675	2,675	2,675	2,675
Waikiki Beach Chaplaincy, Inc.	900		918	936	955	
(Auditorium)			102	102	102	
Hope Chapel	900		918	936	955	
(Auditorium)			400	400	400	
United Self Help	210			231	231	
Boys & Girls Club	390		387.2	387.2		

TABLE 2
WAIKIKI COMMUNITY CENTER
PROJECTION OF WAIKIKI HEALTH CENTER SUBLEASE AND OTHER TENANTS
For period of October 2002 to March 2007
310 Paoakalani Avenue
Waikiki, Honolulu, Hawaii
TAX MAP KEY: (1) 2-6-25: por. 8

GROSS REVENUE	Waikiki Health Center	Other Tenants	Total
Rental Income			
Gross Leasable Area (Sq. Ft.)	5,561	2,400	7,961
Space Rent	\$144,450	\$77,606	\$222,056
Auditorium Use Fees (Rent)	\$0	\$18,072	\$18,072
Total Potential Gross Rental Income Before Expense Recovery	\$144,450	\$95,678	\$240,128
Avg. Monthly Rent Per Square Foot of GLA	\$0.79	\$1.21	\$0.91
OPERATING EXPENSE SUMMARY			
Salaries	\$18,098	\$5,363	\$23,462
Repairs, maintenance & service contracts	\$30,650	\$9,083	\$39,733
Insurance	\$7,629	\$2,261	\$9,890
Supplies	\$5,658	\$1,677	\$7,335
Payroll taxes & benefits	\$8,145	\$2,414	\$10,558
Electricity	\$8,477	\$1,256	\$9,733
Professional fees (not including appraisal)	\$7,036	\$2,085	\$9,121
Equipment purchase	\$254	\$75	\$330
Water/Sewer	\$1,695	\$502	\$2,198
Rental & maintenance equipment	\$127	\$38	\$165
Telephone & postage	\$195	\$58	\$253
Travel (Staff & Volunteers) (See report)	\$0	\$0	\$0
Bank fees (See report)	\$0	\$0	\$0
Ground Rent	\$132	\$39	\$171
Expense for 2002 - 2003	\$56,450	\$9,349	\$65,799
Indicated Operating Expense	\$144,547	\$34,201	\$178,748
Replacement Reserves for Structural Repairs	\$69,391.10	\$20,564.13	\$89,955.23
TOTAL OPERATING EXPENSES w/ Reserves	\$213,938	\$54,765	\$268,703
NET INCOME SUMMARY			
Net Operating Income/Deficit	(\$69,488)	\$40,913	(\$28,575)
Net Sublease Rents Due			(\$28,575)

Letters of Recommendation
For
The Waikiki Community Center
(2004)

EXHIBIT C

LINDA LINGLE
GOVERNOR



MAY 13 2004
LILLIAN B. KOLLER, ESQ.
DIRECTOR
HENRY OLIVA
DEPUTY DIRECTOR

COPY

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

May 12, 2004

Mr. Peter T. Young, Chairperson
Dept. of Land and Natural Resources
P. O. Box 621
Honolulu, HI 96829

Dear Mr. Young:

Subject: Master Lease to Waikiki Community Center, TMK: (1)2-6-25
Waikiki, Honolulu, Oahu, Hawaii

On behalf of Waikiki Health Center, I wish to express our strong support of the Waikiki Community Center's application for an affordable long-term lease that will serve to preserve and protect the presence of this Health Center and its intended use of this property.

In 1981, the Legislature appropriated funding to establish a multi-purpose community complex to serve as a center to support the provision of community activities, meetings and social events, services for the elderly and children and health care.

As a key stakeholder, Waikiki Health Center not only fulfills the intended use of the property but also serves as the only community health center providing low-cost health and social services in Waikiki and is an essential component of our health care delivery system for Oahu and Waikiki area. As a community health center, the Waikiki Health Center provides accessible and affordable medical and social services to those without health insurance including residents, the elderly, the homeless and the indigent. In 2004, the Waikiki Health Center projects providing over 10,000 medical visits to the community. There currently is no other comparable location or space in Waikiki for this Health Center to provide this level of service to our community.

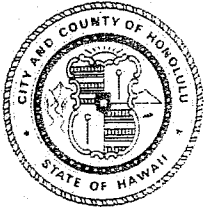
Through our collaborative partnership with the Waikiki Community Center and its affiliate agencies, a broad array of critically needed services have been available to the people of Waikiki at this location since 1982. The importance of retaining this presence and these services is essential for the welfare of Waikiki's diverse and unique population.

We strongly urge your favorable consideration of this lease application request.

Sincerely,

A handwritten signature in dark ink, appearing to read "Lillian B. Koller".

Lillian B. Koller, Esq.
Director



CITY COUNCIL

CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII 96813-3065 / TELEPHONE 547-7000

Charles K. Djou
Councilmember, District IV
Chair, Zoning Committee
Phone: (808) 547-7004 / Facsimile: (808) 523-4220
Email: cdjou@co.honolulu.hi.us

April 28, 2004

Director Peter Young
Department of Land and Natural Resources
Kalanimoku Building
1151 Punchbowl Street
Honolulu, HI 96813

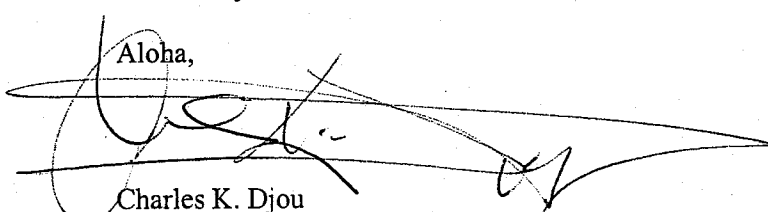
Dear Director Young:

I am pleased to write you in support of extending the Master Lease for the Waikiki Community Center located at 310 Paoakalani Street in Waikiki.

As the city councilmember representing Waikiki, I have had the opportunity to attend community meetings and many activities at the Waikiki Community Center. The Center today serves thousands of people through childcare and senior citizen programs, an emergency food bank, services for the needy and abused, support group meetings, and numerous community activities. Integral to Waikiki Community Center workers is their belief that they must play a role in the continual struggle to assist the residents of Waikiki, and Oahu, who are in need. Describing what they do at the Waikiki Community Center is important, but can't truly convey what makes it such a vital place. Please visit the Waikiki Community Center and you will feel the energy and community atmosphere as soon as you walk through the doors.

In short, I heartily recommend extension of the Waikiki Community Center Master Lease for the quality of its programs and services that appropriately meet the evolving needs of the Waikiki community.

Aloha,



Charles K. Djou
Councilmember, District IV



HOUSE OF REPRESENTATIVES

STATE OF HAWAII
STATE CAPITOL
HONOLULU, HAWAII 96813

May 7, 2004

Peter T. Young
Chairperson
Dept. of Land and Natural Resources
P.O. Box 621
Honolulu, HI 96809

Dear Peter:

I am writing in support of the Waikiki Community Center and its request for a new extended Master Lease of their existing property. As you know, I represent the people living in the Waikiki district. Renewal of the Master Lease will enable Waikiki Community Center to continue as a safe community focal point where the people who live, work and visit in Waikiki can access affordable health and human services and engage in their community. Your support is very critical to our efforts to retain the facilities for use by the residents of Waikiki.

Here are some facts about the Waikiki Community Center:

- Waikiki Community Center (WCC), a private nonprofit 501(c)3 organization, has provided a safety net of services to the people of Waikiki for the past 26 years. Located on the grounds of the old St. Augustine School since 1982.
- Only community center in Waikiki – a safe gathering place for Waikiki's diverse community to receive a variety of critical human services and build community networks.
- Over 15,000 people served each year through the complex of agencies and services. Facilities are utilized 7 days a week, from 7:00 am to 10:00 pm.

- Facilities utilized by 50 nonprofit, faith-based and community-based organizations, including Waikiki Health Center, Boys & Girls Club of Hawaii, United Self Help, Hope Chapel Southshore, Alcoholics Anonymous, Waikiki Neighborhood Board, etc.
- WCC Programs: 1) Senior Citizen programs and educational activities help over 900 elderly Waikiki residents maintain their physical, emotional and cognitive health and enable them to live independently in the community; 2) Childcare and Preschool Program enables Waikiki's working parents to be assured of quality care and school readiness for their young children; 3) Emergency Food Pantry provides over 800 struggling families and homeless individuals with non-perishable food; 4) English as a Second Language Classes help over 400 new residents acculturate and build language skills important to workforce development; 5) Community Building activities create community networks of Waikiki service providers and residents to collaborate on major issues affecting the people of Waikiki.
- Other Services Provided on WCC Complex through its tenant agencies: 1) clinical health and wellness services; 2) mental health services, counseling, support group services for the chronically mentally ill and substance abusers, 3) spiritual guidance, counseling and worship, 4) community building, and 5) outreach to the homeless.
- Populations Served: Residents, employees and visitors of Waikiki; elderly, most of whom are single, have limited income and live independently without family nearby; vulnerable isolated individuals who feel they live on the edge of mainstream society due to their mental illness or sexual orientation; chronically mentally ill; substance abusers; immigrants; working families with young children who need childcare in order be economically sustainable; homeless and low-income residents
- Only affordable, safe community meeting place for community discussions, condo associations and groups who are 'marginalized' from mainstream society.

Renovations to WCC's 50 year old facilities are needed to:

- a. Ensure safety for public access through compliance with current safety, building and ADA requirements.
- b. Create more efficient and space utilization for current and future program expansion.
- c. Comply with federal and national program accreditation standards and licensing regulations.

- d. Expand clinical health services for low-income families, senior citizens and the homeless.
- e. Compliment current urban revitalization and beautification efforts in Waikiki.

Thank you so much for your continued support of the Waikiki Community Center. Whenever I can help, please contact me.

Aloha,



Galen Fox
Representative, Waikiki/Ala Moana/Kakaako
House Republican Leader

GF:ay



HOUSE OF REPRESENTATIVES

STATE OF HAWAII
STATE CAPITOL
HONOLULU, HAWAII 96813

April 27, 2004

Mr. Peter T. Young, Chairperson
Department of Land and Natural Resources
P.O. Box 621
Honolulu, Hawaii 96809

Dear Mr. Young:

The Waikiki Community Center truly is an asset to our community and I believe every effort should be made to continue building on its success. Therefore, I am writing to express my support for Waikiki Community Center's request for renewal of their Master Lease and I urge your favorable review of the application.

The Waikiki Community Center (WCC), a private nonprofit organization, has provided a safety net of services to the people of Waikiki for the past 26 years. The only community center in Waikiki, it has continually offered a safe gathering place for Waikiki's diverse community to receive a variety of critical human services and build community networks. WCC is currently home to 50 nonprofit, faith-based and community-based organizations and continually offers a variety of services, benefiting residents, employees and visitors of Waikiki, senior citizens, children, homeless and low-income individuals. In addition, WCC, through its tenant agencies, provides clinical health services, mental health services for the chronically mentally ill and substance abusers, spiritual guidance, and community building opportunities. Furthermore, WCC is not only the only childcare and preschool within Waikiki for working parents, but also remains the only affordable and safe community meeting place. As a result, I firmly believe that a renewal of their Master Lease will enable WCC to continue as a safe community focal point where the people who live, work and visit in Waikiki can access affordable health and human services and engage in their community.

Thank you for your consideration of this request. Should you have any further questions or concerns regarding this matter, please do not hesitate to contact me at 586-8515.

Sincerely,

Scott Y. Nishimoto
Representative, District 21



The Senate
State of Hawaii

STATE CAPITOL

HONOLULU, HAWAII 96813

Senator Gordon Trimble

April 22, 2004

Peter T. Young, Chairman
Dept. of Land & Natural Resources
P.O. Box 621
Honolulu, Hawaii 96809

Dear Mr. *Peter* Young:

By this letter I am requesting your favorable consideration in the renewal of the master lease for the Waikiki Community Center.

Since 1982 the Waikiki Community Center has served as a safe gathering place for Waikiki's diverse community to receive a variety of critical human services and build community networks.

The Waikiki Center is home to 50 non-profit, faith-based and community-based organizations, including Waikiki Health Center, Boys & Girls Club of Hawaii, United Self Help, Hope Chapel Southshore, Alcoholics Anonymous, etc.

The WCC serves over 15,000 people each year through the complex of agencies and services. Facilities are utilized 7 days a week, from 7:00 am to 10:00 pm.

Master lease renewal will enable critically needed renovations to WCC's 50-year-old facility.

In conclusion, renewal of the Master Lease will enable Waikiki Community Center to continue as a safe community focal point where the people who live, work and visit in Waikiki can access affordable health and human services and engage in their community.

Thank you for your favorable consideration.

Sincerely,
Gordon
Gordon Trimble

GT:sc

cc: Governor Linda Lingle



Congress of the United States

House of Representatives

Washington, D.C. 20515

May 10, 2004

Mr. Peter T. Young
Chairperson
State Of Hawaii
Department Of Land And Natural Resources
PO Box 621
Honolulu, Hawaii 96809-0621

SUBJ: Master Lease to Waikiki Community Center

TMK: (1) 2-6-25

310 Paoakalani Avenue

Waikiki, Honolulu, Oahu, Hawaii

Dear Mr. Young:

On behalf of the Waikiki Health Center (WHC), I wish to express my strong support of the Waikiki Community Center's application for an affordable long-term lease that will serve to preserve and protect the presence of the health center and the intended use of the property.

In 1981, the Legislature appropriated funding for the purchase of the property to establish a multi-purpose community complex to serve as a center to support the provision of community activities, meetings, social events, and services for the elderly and children, including health care.

As a key stakeholder, the Waikiki Health Center has honored its intended use of the property and serves as the only community health center providing low-cost health and social services in Waikiki. The WHC is an essential component of the "safety net" health care delivery system for Oahu and the Waikiki area. As a community health center, they provide accessible and affordable medical and social services to those without health insurance, especially to the "hidden population" living in Waikiki, including runaways, homeless, indigent, shut-ins, etc.

In 2004, the WHC projects providing over 10,000 medical visits to the communities they serve. Currently, there is no other comparable location or space in Waikiki for a health center to provide the level of service. Also, logistically the current location is accepted as a "safe haven" by the population mentioned earlier; a place they trust and feel comfortable with to accept service delivery or refer others to, so they can initiate contact for help.

ORIGINATED FROM:

☐ WASHINGTON OFFICE: 1502 LONGWORTH HOUSE OFFICE BUILDING, WASHINGTON, D.C. 20515 (202) 225-2726 / 225-4580 FAX
☒ HOME OFFICE: ROOM 4-104, 300 ALA MOANA BLVD., HONOLULU, HAWAII 96850 (808) 541-2570 / 533-0133 FAX
Homepage: <http://www.house.gov/abercrombie/> E-mail: neil.abercrombie@mail.house.gov

Mr. Peter T. Young
May 10, 2004
Page two

Through collaborative partnerships, the Waikiki Community Center and its affiliate agencies have provided a broad array of critically needed services to the people of Waikiki at the location since 1982. The importance of retaining their presence and services is essential for the welfare of Waikiki's diverse and unique population.

For those reasons and more, I strongly urge your favorable consideration of the Waikiki Community Center's lease application request. Thank you for your time and consideration. I wish you continued success with future endeavors.

Sincerely,

A handwritten signature in black ink, appearing to read "Neil Abercrombie". The signature is fluid and cursive, with the first name "Neil" being more prominent and the last name "Abercrombie" following in a similar style.

Neil Abercrombie
Member of Congress

NA:rs

cc: Mr. Paul Strauss, Executive Director
Waikiki Health Center

December 8, 2006

Exhibit B



53821

RECEIVED

Board of Directors

November 1, 2005

05 NOV -7 A8:12

Jim Nishimoto, AIA
ChairRev. Glenn Harada
Vice ChairSheryl Siu
SecretaryLinda Lee
Treasurer

Tom Barlow, Ph.D.

Daniel Chang

Gregory Dunn

Rick Egged

Stan Engeldorf

Karl Fujii

Carolyn Gugelyk

Jo Ann Mau

Leona Nakaahiki

Jessica Rich

Sheri Rolf

Vivian Tsuji

Gregory Wong

Joan Naguwa
Executive Director

The Honorable Peter T. Young
Chairperson
Board of Land and Natural Resources
P.O. Box 621
Honolulu, HI 96809

DEPT. OF LAND
& NATURAL RESOURCES
STATE OF HAWAII

Re: General Lease No. S-5805 to Waikiki Community Center,
Oahu Tax Map Key No.: (1) 2-6-025:008

Dear Mr. Young and Members of the Board of Land and Natural Resources:

I write on behalf of the Waikiki Community Center ("WCC") regarding the above subject new lease. We appreciate the Board's efforts issue a new lease to WCC and to maintain the nominal lease rent for the premises we have occupied since 1982.

We have reviewed the proposed new lease ("Lease") and have the following comments and proposals for amendment.

1. Rent. The Lease provides for two (2) rent re-openings. We had requested, and the Board of Land and Natural Resources, at its April 22, 2005 meeting, had approved the nominal rent for the entire term of the Lease. We request that the nominal rent be fixed for the term of the Lease and that the tenth (10th) and twentieth (20th) year reopening periods be deleted. We suggest the following revised paragraph A, deleting paragraphs B and C and renumbering paragraph D to B.

A. For the term of this Lease, the sum of ONE HUNDRED FIFTY SIX AND NO/100 DOLLARS (\$156.00) per annum.

2. Paragraph 1, Minerals and Waters., Page 4. We request the entire paragraph be deleted as it contains provisions applicable to an agricultural lease.

3. Paragraph 2 Ownership of Improvements. Page 4. We suggest the paragraph be revised by deleting the words, "including but not limited to fences and stockwater system(s)" in lines 2 and 3 and adding the following sentence to the end of the paragraph:

For purposes of this paragraph 2, renovations to existing improvements shall not be deemed improvements installed on the Premises.

310 Paoakalani Avenue
Honolulu, Hawaii 96815
Phone: 808 923-1802
Fax: 808 922-2099



27 Years of Service to the Community
www.waikikicomunitycenter.org

EXHIBIT "B"

4. Paragraph 9 Improvements., Page 6. We suggest deleting the words "satisfactory to the Lessor" in lines 4 and 5 of paragraph 2 and adding the following in lieu thereof:

Upon termination and/or expiration of the lease and if desired by the Lessor, the Lessee at its expense, shall remove any and all improvements installed or constructed upon the premises and restore said premises to a condition as the premises were in at the commencement of the lease, reasonable wear and tear excepted.

5. Paragraph 14, Subletting., Page 7. We believe the Board has already approved existing subleases. Therefore, we suggest the last sentence be revised to read as follows:

14. Subletting. The Lessee shall not rent or sublet the whole or any portion of the premises, without the prior written approval of the Board; provided, however, that prior to this approval, the Board shall have the right to review and approve the rent to be charged to the proposed sublessee and that in the case where the Lessee is required to pay rent based on a percentage of its gross receipts, the receipts of the sublessee or any subsequent sublessees shall be included as part of the Lessee's gross receipts, and the Board shall have the right to revise the rent for the premises based upon the rental rate charged to the sublessee including the percentage rent, if applicable, and provided, further, that the rent may not be revised downward. For good cause, the Board may waive the requirement that the Lessee obtain prior written approval to rent or sublet all or any portion of the premises, and does waive the requirement that Lessee obtain prior written approval to renew subleases to existing tenants or to permit use of space on the Premises on a non-exclusive basis by nonprofit organizations.

6. Paragraph 18, Bond Performance., Page 9. We respectfully request that the bond requirement be waived or that WCC be permitted to pay a \$500.00 security deposit instead.

7. Paragraph 20, Mortgage., Page 9. We suggest the following addition:

Lessee shall not mortgage, hypothecate, or pledge the premises, any portion, or any interest in this lease without the prior written consent of Lessor, which consent shall not unreasonably be withheld or conditioned.

8. Paragraph 22, Condemnation., Page 10. We suggest that the second sentence be revised by deleting the phrase "(a) the value of growing crops, if any, which Lessee is not permitted to harvest and (b)" in lines 6 and 7.

9. Paragraph 23, Right to Enter., Page 10. We suggest the following addition:

EXHIBIT "B"

The Lessor or the City and County of Honolulu, called the "County" and their agents or representatives shall have the right to enter and cross any portion of the premises for the purpose of performing any public or official duties; provided, however, in the exercise of these rights, the Lessor or the County shall not interfere unreasonably with the Lessee or Lessee's use and enjoyment of the premises.

10. Paragraph 32, Hazardous Materials, Page 13. We suggest that the second sentence in the first paragraph be revised to read as follows:

Lessee shall not allow the storage or use of such materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such materials, nor allow to be brought onto the premises any such materials except to use in the ordinary course of Lessee's business, ~~and then only after in accordance with manufacturer's instructions. and then only after written notice is given to Lessor of~~ Lessor may from time to time request Lessee to disclose the identity and use of such materials, and following such disclosure may notify Lessee to cease the use of any such materials, upon Lessor's consent ~~which consent may be withheld at Lessor's sole and absolute discretion.~~

11. Paragraph 37, Withdrawal, Page 14. We request the entire paragraph be deleted as it is usually only applicable to an agricultural lease.

12. Paragraph 40, Audit and examination of books, etc., Page 15. We suggest this paragraph be deleted, or in the alternative the following provision be added to the end of the paragraph:

40. Audit and examination of books, etc. Lessee shall at all times maintain full and accurate records relating to Lessee's operations and activities upon and in connection with said leased premises. Lessor reserves the right to audit, examine, and to make copies of all Lessee's books, accounts, records, and receipts, during regular working hours upon reasonable notice given by Lessor. The Lessor shall treat all information obtained as confidential and shall return all copied information to Lessee upon completion of Lessor's review. Lessor shall bear all copying costs.

13. Paragraph 45, Historic Preservation, Page 16. We request that this paragraph be waived, or in the alternative, the following revision to this paragraph:

45. Historic Preservation. In the event any historic properties or burial sites, as defined in section 6E-2, Hawaii Revised Statutes, are found on the premises, the Lessee and the Lessee's agents, employees and representatives shall immediately stop all land utilization or work or both and contact the Historic Preservation Office in compliance with Chapter 6E, Hawaii Revised Statutes. It is expressly agreed that notwithstanding their age, the buildings existing on the premises do not have historic or cultural significance, and therefore the Lessor will concur with the Lessee's plans to alter or renovate the buildings on the premises.

EXHIBIT " B "

14. Paragraph 46, Removal of Trash, Page 16. This paragraph may be applicable to an agricultural or pasture lease and it should be deleted.

15. Paragraph 47, Phase I Environmental Site Assessment, Page 16. We request that this paragraph be waived.

16. Paragraph 49, Resident Caretaker, Page 16. This paragraph is in our existing lease and we would like to include it in our new lease as follows.

49. Residential Caretaker. Lessee may provide for living quarters within the convent building for a resident caretaker or family.

We appreciate your favorable consideration of this matter. Please feel free to call Joan Naguwa, Executive Director, at 923-1802 with any questions.

Very truly yours,



Jim Nishimoto
Chair, Board of Directors

cc: Joan Naguwa, Exec. Director
William Yuen, Esq.

EXHIBIT " B "

December 8, 2006

Exhibit C



55983

RECEIVED
LAND DIVISION

June 22, 2006

2006 JUN 27 P 3:43

RECEIVED

'06 JUN 27 A8:00

Mr. Peter Young
Chair
Land Board
Dept. of Land & Natural Resources
P.O. Box 621
Honolulu, HI 96813

DEPT. OF LAND &
NATURAL RESOURCES
STATE OF HAWAIIDEPT. OF LAND
& NATURAL RESOURCES
STATE OF HAWAII

Dear Mr. Young:

SUBJ: General Lease No. S-5805 to Waikiki Community Center;
Honolulu, Oahu, TMK: (1)2-6-025:008

Thank you for your support of the approval of a new lease to Waikiki Community Center (WCC) for the term of 30 years at the nominal annual lease rent. We have been working with your staff regarding the terms of the above referenced lease during the past several months.

We have reviewed the Land Division Office's response to our proposals for amendments, dated April 28, 2006, and have the following requests for the Land Board's consideration and approval:

1. To amend the Land Board's previous approval, dated April 22, 2005, to remove the rent re-opening provision with respect to nominal rent being approved for General Lease No. S-5805; and
2. To amend the performance bond provision in the standard lease form to allow WCC to make a cash deposit in lieu of a performance bond; and
3. To add a provision that allows WCC the option to provide for living quarters within one of its buildings for a resident caretaker and/or family.

In correspondence with your Land Division Office staff, they are in agreement with requests No. 1 and No. 2 as referenced above.

With regard to request No. 3, our current General Lease No. 2-4825 states "Lessee MAY provide for living quarters within the convent building for a resident caretaker or family." We are concerned about criminal activity on the property and safety of the users of WCC. The resident caretaker currently provides evening and weekend security and enables evening and weekend access to the facilities for the community's use. We regularly have incidents of trespassing and loitering by homeless individuals as well as theft and violence during non-business hours. The resident caretaker intervenes in these situations and contacts police. WCC is further impacted by loss of staff time taken to appear in court in cases that are prosecuted. A sample of the kinds of criminal activity listed on attachment A.

Board of Directors

Jim Nishimoto, AIA
ChairRev. Glenn Harada
Vice ChairSheryl Siu
SecretaryLinda Lee
Treasurer

Tom Barlow, Ph.D.

Greg Boxold

Rick Egged

Karl Fujii

Carolyn Gugelyk

Jo Ann Mau

Leona Nakaahiki

Jessica Lani Rich

Sheri Rolf

Vivian Tsuji

Gregory Wong

Rodney Wong

Joan Naguwa
Executive Director

310 Paoakalani Avenue
Honolulu, Hawaii 96815
Phone: 808 923-1802
Fax: 808 922-2099



Celebrating 28 Years of Service to the Community
www.waikikicomunitycenter.org

EXHIBIT "C"

Preliminarily, we have contacted several private security firms to estimate the cost of services in lieu of a resident caretaker. The estimated cost for security personnel 12 hours per day, 7 days a week, is approximately \$80,000 to \$110,000 annually. This cost will significantly increase our operational costs. Approximately 40% of this cost will need to be passed on to our nonprofit tenants and community facility users. The remaining 60% will be borne by our child care program through increased tuition, and by our senior citizen and other programs through increased fees.

Inclusion of a provision for the option of a resident caretaker enables WCC to provide affordable space for the community in a safe environment.

We appreciate your favorable consideration of this matter. Please feel free to contact Joan Naguwa, Executive Director of Waikiki Community Center, at 923-1802 if you should have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nishimoto", written in a cursive style.

Jim Nishimoto
Chair
Board of Directors

Attachment

JN:jn

ATTACHMENT A

WAIKIKI COMMUNITY CENTER
EXAMPLES OF CRIMINAL ACTIVITY REPORTED ON
THE WAIKIKI COMMUNITY CENTER
IN 2005-2006

June 2005	Arrest of homeless individual for continuous loitering and trespassing
July 2005	Vehicle parked on the property was set afire by the estranged partner of a participant in a community meeting.
Sept. 2005	Executive Director verbally and physically threatened by homeless individual found sleeping on the property.
Nov. 2005	Theft of \$100 from vending machines located on property
Jan. 2006	Theft of \$900 from Waikiki Health Center offices
Feb. 2006	Assault of the Executive Director of one of WCC tenants by a client
Continuous	Illegal overnight parking by residents of neighboring condominiums or visitors to Waikiki. Transients sleeping or loitering on the property

December 8, 2006

Exhibit D

STATE OF HAWAII

DEPARTMENT OF LAND AND NATURAL RESOURCES

GENERAL LEASE NO. S-5805

THIS LEASE, made this _____ day of _____, 20____, by and between the STATE OF HAWAII, hereinafter referred to as the "Lessor," by its Board of Land and Natural Resources, called the "Board," and WAIKIKI COMMUNITY CENTER, a Hawaii nonprofit corporation, whose address is 310 Paoakalani Avenue, Honolulu, Hawaii 96815, hereinafter referred to as the "Lessee."

WITNESSETH:

The Lessor, pursuant to Section 171-43.1, Hawaii Revised Statutes, and for and in consideration of the rent to be paid and of the terms, covenants and conditions herein contained, all on the part of the Lessee to be kept, observed and performed, does lease unto the Lessee, and the Lessee does lease from the Lessor the premises situate at Waikiki, Honolulu, Oahu, Hawaii, identified as "(Revised May 1982) Waikiki Community Center Parts 1 and 2," more particularly described in Exhibit "A," attached hereto and made a part hereof, Certificate of Title Nos. 236,759, 34,003, 34,018, 35,134, 57,039, and 81,297.

TO HAVE AND TO HOLD the leased premises unto the Lessee for the term of thirty (30) years, commencing on the _____ day of _____, 20____, up to and including the _____ day of _____, unless sooner terminated as hereinafter provided, the Lessor reserving and the Lessee yielding and paying to the Lessor at the Office of the Department of Land and Natural Resources, Honolulu, Oahu, State of Hawaii, an annual rental as provided hereinbelow, payable in advance, without notice or demand, in equal semi-annual installments on _____ of each and every year during the term as follows:

A. For the first ten (10) years, the sum of ONE HUNDRED FIFTY SIX AND NO/100 DOLLARS (\$156.00) per annum.

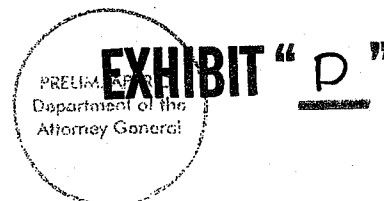
B. The annual rental reserved shall be reopened and redetermined on the tenth (10th) and the twentieth (20th) years.



C. Determination of rental upon reopening of the annual rental. The rental for any ensuing period shall be the fair market rental at the time of reopening. Except as provided herein, the provisions in Hawaii Revised Statutes chapter 658A, shall be followed. At least six (6) months prior to the time of reopening, the fair market rental shall be determined by a staff appraiser or independent appraiser, as allowed by law, whose services shall be contracted for by the Lessor, and the Lessee shall be promptly notified by certified mail, return receipt requested, of the fair market rental as determined by Lessor's appraiser; provided, that should the Lessee fail to notify Lessor in writing within thirty (30) days after receipt thereof that Lessee disagrees with the fair market rental as determined by Lessor's appraiser and that Lessee has appointed its own appraiser to prepare an independent appraisal report, then the fair market rental as determined by Lessor's appraiser shall be deemed to have been accepted by Lessee and shall be the fair market rental as of the date of reopening. If Lessee has notified Lessor and appointed his appraiser as stated hereinabove, Lessee's appraiser shall complete his appraisal and the two appraisers shall then exchange their reports within forty-five (45) days from the date of Lessee's appointment of the appraiser.

The two appraisers shall review each other's reports and make every effort to resolve whatever differences they may have. However, should differences still exist fourteen (14) days after the exchange, the two appraisers shall within seven (7) days thereafter appoint a third appraiser who shall also prepare an independent appraisal report based on the review of the two appraisal reports prepared and any other data. Copies thereof shall be furnished to the first two appraisers within forty-five (45) days of the appointment. Within twenty (20) days after receiving the third appraisal report, all three shall meet and determine the fair market rental in issue. The fair market rental as determined by a majority of the appraisers shall be final and binding upon both Lessor and Lessee, subject to vacation, modification or correction in accordance with the provisions of chapter 658A, Hawaii Revised Statutes. Each party shall pay for its own appraiser and the cost of the services of the third appraiser shall be borne equally by the Lessor and the Lessee. All appraisal reports shall become part of the public record of the Lessor.

In the event that the appraisers are unable to determine the fair market rental before the reopening date, or by the foregoing prescribed time, whichever is later, the Lessee shall pay the fair market rental as determined by Lessor's new



appraised value until the new rent is determined and the rental paid by Lessee shall then be subject to retroactive adjustments as appropriate to reflect the fair market rental determined as set forth hereinabove. However, Lessee or Lessee's appraiser's failure to comply with the procedures set forth above shall constitute a waiver of Lessee's right to contest the new rent, and the Lessee shall pay the rent as determined by Lessor's appraiser without any retroactive adjustments. Alternatively, Lessor may treat this failure as a breach of this lease and terminate the lease.

D. The interest rate on any and all unpaid or delinquent rentals shall be at one percent (1%) per month, plus a service charge of FIFTY AND NO/100 DOLLARS (\$50.00) a month for each delinquent payment.

